S.R. BATLIBOI & CO. LLP
Chartered Accountants

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25 August 2014

To,

The Audit Committee
NIIT Limited
85, Sector 32 Institutional
Gurgaon- 122 001
India

Ladies and Gentlemen,

Sub: Report on valuation of Schools Business Undertaking of NIIT Limited for the purpose of facilitating its transfer to wholly owned subsidiary of NIIT Limited through a scheme of arrangement under section 391-394 of the Companies Act, 1956

We refer to the appointment vide agreement dated 19 August 2014 wherein NIIT Limited (hereinafter referred to as "NIIT" or the "Company") have requested S.R. Batliboi & Co. LLP (hereinafter referred to as "SRB") to conduct valuation of Schools Business Undertaking (the "Undertaking") of NIIT as at the opening business hours of 01 April 2014 (the "Valuation Date") in connection with the proposed transfer (the "Transaction") of the Undertaking into Hole-In-the-Wall Education Limited ("HiWEL") - a wholly owned subsidiary of NIIT- through a scheme of arrangement under section 391-394 of the Companies Act, 1956 (the "Purpose").

SCOPE AND PURPOSE OF THIS REPORT

NIIT Limited ("NIIT" or the "Company") is a public limited company listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The registered office of the Company is located at 8, Balaji Estate, First Floor, Guru Ravi Das Marg, Kalkaji, New Delhi- 110 019, India. The Company provides information technology ("IT") learning solutions to individuals, enterprises, schools and colleges worldwide. For the year ended 31 March 2014, total revenue of NIIT were ₹9,612 mn and loss after tax (but before share of results of Associate's profits and minority interest) were ₹357 mn, respectively.

School Learning Solutions (the "Undertaking") is one of the business segments of NIIT. Under this segment, NIIT offers technology enabled teaching and learning solutions to schools (under NGuru brand) across India. For the year ended 31 March 2014, total revenue and Earnings before Interest Tax Depreciation and Amortization ("EBITDA") of the Undertaking were ₹1,550 million and ₹102 million, respectively.

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For NIIT Limited

S.R. Batliboi & Co. LLP, a Limited Liability Partnership with LLP Identity No. AAB-4294
Regd. Office : 22, Camac Street, Block 'C', 3rd Floor, Kolkata-700 016

Hole-in-the-Wall Education Limited ("HiWEL") is a wholly owned subsidiary of NIIT. It is involved in research and development activities for the purpose of discovering the extent to which children in rural and slum areas can access and learn from web based curricula using a purpose built 'Internet Kiosk'.

The Management (the "Management") of the Company proposes to transfer the Undertaking to HiWEL. Further, the Management has suggested that the Appointed Date for the transfer of Undertaking to HiWEL would be opening business hours of 01 April 2014 or such other dates as may be approved by the Court. This is proposed to be achieved through a Scheme of Arrangement (hereinafter referred to as the "Scheme") under the provisions of Sections 391-394 of the Companies Act, 1956.

In this connection, SRB has been appointed to submit a report recommending the fair value of the Undertaking.

We have carried out fair equity valuation of the Undertaking as on the Valuation Date based on financial information up to 31 March 2014 (closing of business hours) in our exercise. Among other things, we have been provided with Management approved unaudited financial statements (without schedules and notes to accounts) of the Undertaking as at 31 March 2014. The Management has informed us that currently, they do not have any information or expect any events which are unusual or not in normal course of business in the future. The current valuation therefore does not factor impact of any event which is unusual or not in normal course of business. We have made adjustments for further facts made known (past or future) to us till the date of our report.

This report is our deliverable in respect of our estimate of fair equity value of the Undertaking.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

The following information has been received from the Management:

- Management approved unaudited segmental financial statements (without schedules and notes to accounts) of the Undertaking
  - Detail of assets and liabilities being transferred for the year ended 31 March 2014. We have also been provided with a certificate from a chartered accountants firm certifying the book value of assets and liabilities of Undertaking as at 1 April 2014.
  - Profit and loss account for years ended 31 March 2012, 31 March 2013 and 31 March 2014

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- Projected profit and loss account and balance sheet of the Undertaking along with supporting assumptions for the years ending 31 March 2015 to 31 March 2020
- Details of contingent liabilities/assets and probabilities of their conversion into actual liabilities/assets
- Draft Scheme
- Details of surplus assets of Undertaking as at 31 March 2014

The Company has been provided with the opportunity to review the draft report (without the valuation) for this engagement to make sure that factual inaccuracies are avoided in our report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this report and (iii) are based on the Management approved unaudited balance sheet as at 31 March 2014 of the Undertaking. A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The estimation(s) rendered in this report only represent our estimation(s) based upon information as at 31 March 2014, furnished by the Company (or its representatives) and other sources and the said estimation(s) shall be considered to be in the nature of non-binding advice (our estimation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this report.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, the accuracy of information made available to us by the Company. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical segmental financial information provided to us. Accordingly, we do not express any opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Company, we have been given to understand by the Company that it has not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any

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doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Company. The Management of the Company has indicated to us that it has understood that any omissions, inaccuracies or misstatements may materially affect our valuation exercise/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Company and their impact on the report.

The Report assumes that the Undertaking complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Undertaking will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the unaudited balance sheet of the Undertaking.

This report does not look into the business/ commercial reasons behind the Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. Our report is not, nor should it be construed, as opining or certifying the compliance of the Proposed Transaction with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such Proposed Transaction. No investigation of the Undertaking' claim to title of assets has been made for the purpose of this report and the Undertaking' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts.

The financial forecasts used in the preparation of the Report reflects judgement of the Management of NIIT based on the present circumstances, as to the most likely set of conditions and the course of action they are most likely to take. It is usually the case that some events and circumstances do not occur as expected and are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts, and such differences may be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of the Company, under the terms of our engagement letter dated 19 August 2014 and nobody else.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this exercise does not represent a fairness opinion.

This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or

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document given to third parties, other than in connection with the proposed Scheme, without our prior written consent. In addition, this report does not in any manner address the prices at which NIIT's equity shares will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders of the Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

NIIT

The issued, subscribed and paid up equity share capital of NIIT as at 31 March 2014 is ₹330.29 million (excluding paid up amount of ₹0.01 million on forfeited shares) consisting of 165,145,597 equity shares of face value of ₹2 each fully paid up, held as follows:

Shareholders	Number of shares	Shareholding (%)
Promoters	56,473,335	34.20
Institutional investors	43,818,523	26.53
Non-institutional investors	64,853,739	39.27
Total	**165,145,597**	**100.00**

Source: Management

The Management of NIIT has represented that there are no outstanding warrants/convertible instruments issued and outstanding as at the date of issue of this report. Besides the above, the Company has outstanding Employee stock options as at the date of the report.

Undertaking

The Undertaking offers technology enabled teaching and learning solutions to government and private schools (under NGuru brand) across India.

- For government schools, the Undertaking provides computer education to school students on turnkey basis.
  - For private schools, the Undertaking offers learning and teaching solutions including the following to improve learning in schools:
  - **IT Wizard ("ITW")** - This is aimed at providing core computer knowledge and IT skills to students.
  - **Interactive Classrooms Cloud ("ICR")** - It is an end to end teaching learning solution that uses elements of interactivity, animation, videos and web links library to schools.
  - **MathLab** is a mathematics laboratory for schools, which makes use of Geometer's Sketchpad software, multiple teaching and learning aids like technology applications, videos, manipulative, measuring instruments and theme based ambience.
  - **Quick School** is an Education Resource Planning solution for school management and various training programs aimed at professional development for teachers.

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HiWEL

HiWEL is involved in research and development activities for the purpose of discovering the extent to which children in rural and slum areas can access and learn from web based curricula using a purpose built 'Internet Kiosk'.

The issued, subscribed and paid up share capital of HiWEL as at 31 March 2014 is ₹66 million consisting of equity share capital of ₹10 million (1,000,007 equity shares of face value of ₹10/- each fully paid-up) and preference share capital of ₹56 million (3,400,000 13.75% non-convertible cumulative redeemable preference shares of face value of ₹10/- each fully paid-up and 2,200,000 13.25% non-convertible cumulative redeemable preference shares of face value of ₹10/- each fully paid-up).

As at 16 August 2014, all the above equity and preference shares are held by NIIT (Source: the Management).

The Management of NIIT has represented that there are no stock options/ warrants/convertible instruments issued and outstanding in HiWEL as at the date of issue of this report.

APPROACH - FAIR BASIS OF TRANSFER

The Scheme contemplates the transfer of Undertaking to HiWEL pursuant to the Scheme of Arrangement under sections 391 to 394 of the Companies Act, 1956. For this, we have arrived at the fair equity value of Undertaking as at the Valuation Date.

There are several commonly used and accepted methods for determining the fair value of the equity shares of a business to the extent relevant and applicable, including:

- Net Asset Value method
- Comparable Companies' Multiples method
- Market Price method
- Discounted Cash Flows method

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our exercise, we make numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Undertaking. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Undertaking, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of

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methodology of valuation has been arrived at by using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Net Asset Value (NAV) method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability.

In the present case, considering the current profitability of the Undertaking and the nature of assets being transferred, we have considered it appropriate to use NAV.

Comparable Companies' Multiple ("CCM") method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifest through stock market valuations of listed companies and the transaction valuation. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

In the present case, considering the current profitability of the Undertaking, we have not used CCM method in our valuation exercise.

Market Price method

In the present case, we are valuing a business segment and not NIIT as a whole. Hence, we have not used Market Price method in the current exercise.

Discounted Cash Flows ("DCF") method

Under the DCF method, the projected free cash flows to the stakeholders are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the enterprise value of the business. From this, net debt is deducted to arrive at the equity value.

Using the DCF method involves determining the following:

Estimating future free cash flows:

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Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital.
This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the equity capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

We have used the DCF method in the current valuation exercise for valuation of the Undertaking.

Estimation of Fair Equity Value of Undertaking

The basis of the transfer of Undertaking would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies which have been used, for the purposes of estimating a fair equity value of Undertaking, is necessary to arrive at a single value. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

Due to the reasons discussed above, we have used a combination of NAV method and DCF method for the valuation of Undertaking and have given 50% weightage to each of the methods.

In the ultimate exercise, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The fair equity value of the Undertaking has been arrived based on the various methodologies explained herein earlier and various qualitative factors relevant to it and the business dynamics and growth potentials of the business, having regard to information base, Managements' representations and perceptions, key underlying assumptions and limitations.

In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion, the fair equity value of the Undertaking for its proposed transfer to HiWEL is ₹1,081 million. It should be noted that this valuation is based on the assumption that the consideration would be discharged in cash or cash equivalent. For details, please refer to Annexures I to III.

It should be noted that we have not examined any other matter including economic rationale for the Transaction per se or accounting, legal or tax matters involved in the Transaction.

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Respectfully submitted,

For S.R. Batliboi & Co LLP
ICAI Firm Registration Number: 301003E

Per Sanjay Vij
Partner
Membership No: 95169
Place: Delhi
Date: 25 August 2014

Annexure I

Valuation Summary - Fair valuation of the Undertaking

Currency: ₹ mn	Weights	Value	Annexure
DCF method	50%	1,108	II
NAV method	50%	1,053	III
Equity value		1,081	

Based on the above, the fair equity value of the Undertaking for its proposed transfer to HiWEL as at the Valuation Date is estimated at ₹1,081 million.

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Rajesh Arora
Company Secretary